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SUBJECT: WORLD BANK AGREES TO HELP PAKISTAN DEVELOP THAR COAL

¶1. (SBU) Summary. The World Bank has agreed to assist Pakistan with development of the estimated 175 billion ton Thar Coal field in Sindh Province. The World Bank plans to work with the newly formed Thar Coal and Energy Board which will be led by the Sindh Chief Minister but will include federal government representatives. End Summary.

¶2. (SBU) Aslam Sanjrani, Managing Director, Thar Coal and Energy Board (TCEB) formally requested World Bank assistance from Yusupha Crookes, Country Director for Pakistan, at the World Bank office on August 29. On September 18, Rashid Aziz, Senior Energy Specialist at the World Bank's Islamabad office confirmed with Econ that the World Bank will support Pakistan's request to develop the Thar Coal field in Sindh Province. Aziz noted that the World Bank plan will be driven by three primary considerations: (1) enabling the Sindh government to promote the Thar coal deposits to potential investors through the recently developed Thar Coal and Energy Board (TCEB); (2) assisting the Sindh government in the overall development of the mining sector; and (3) strengthening the institutional capacity of the concerned provincial government ministries, departments and entities/agencies. Aziz said that the World Bank will form a task force to interact with the provincial government and TCEB for the development of a program and technical assistance projects.

¶3. (SBU) Aziz said that the technical assistance requirements are initially expected to be for: (1) strengthening the capacity of the concerned government ministries including, to the extent required, at the federal level as well as departments and specific agencies such as TCEB; (2) advisory services for establishing and strengthening the TCEB; and (3) for technical, financial and legal advisors to carry out the required reviews, studies and analyses. Asked if the World Bank would be willing to fund the required feasibility studies for the development of Thar coal, Aziz said that "if the technical assistance project determined it to be one of the milestones in developing domestic coal, then the World Bank would be willing to arrange significant financing for it."

¶4. (U) To move forward with development of the Thar coal fields, the Sindh government established the Thar Coal and Energy Board (TCEB) on July 26 with the Sindh Chief Minister as the lead. The Board will consist of the Federal Minister for Water and Power as Vice-Chairman, the Minister for Law and Justice, the Deputy Chairman of the Planning Commission, two Provincial Ministers nominated by the Chief Minister, the Secretary of the Ministry of Water and Power, Sindh Chief Secretary and one eminent person nominated by the Government of Sindh, while the Managing Director will act as its Member/Secretary.

15. (U) With its headquarters in Karachi, the function of the TCEB is to act as a one-stop shop on behalf of all Ministries, Departments and agencies of the Government of Pakistan and Government of Sindh in matters relating to development and leasing/sub-leasing of the field. Under Pakistan's 1973 Constitution mineral rights fall within the provincial jurisdiction, however the federal government is charged with generating power. Since the discovery of Thar coal in 1992, disputes between the provincial and the federal government over the development of the field have delayed all progress on extraction of the 175 billion tons of lignite coal.

16. (SBU) Comment. Developing Thar coal is now seen as the key to ensuring sustainable energy supplies for the country and Thar is often referred to as Pakistan's "low hanging fruit" in the energy sector. Given the poor quality of the lignite coal, any development will be expensive and will require more money than the Government of Pakistan currently has available for its development; yet faced with a mounting energy shortfall of over 4500 mega watts per day, Pakistan is desperate to explore alternative energy sources. World Bank assistance will be needed to bridge the divide between federal and provincial authorities and to provide much needed capacity building for local authorities who lack an expertise in coal development. End Comment.

PATTERSON